

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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In the Matter of the Application of
California-American Water Company
(U210W) for a Certificate of Public
Convenience and Necessity to Construct
and Operate its Coastal Water Project to
Resolve the Long-Term Water Supply
Deficit in its Monterey District and to
Recover All Present and Future Costs in
Connection Therewith in Rates

A.04-09-019
(Filed September 20, 2004)

**CALIFORNIA-AMERICAN WATER COMPANY'S REPLY COMMENTS ON THE
PROPOSED INTERIM DECISION ADOPTING SETTLEMENT AGREEMENT**

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COMPANY

Date: December 31, 2007

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, California-American Water Company ("California American Water") respectfully submits its reply comments in the above-referenced proceeding. In these reply comments, California American Water responds to the Comments of the Division of Ratepayer Advocates (DRA) on the Proposed Decision Adopting the Settlement Agreement, filed on December 21, 2007 ("Comments"). With the exception of one of DRA's changes discussed below, California American Water generally supports the changes proposed by DRA in its Comments.

II. DISCUSSION

In its Comments, DRA states that the Commission should modify the Proposed Decision to make it clear that the authorized \$9,312,644 includes interest incurred through

December 31, 2006. California American Water agrees that DRA's changes to the Proposed Decision regarding the interest incurred through year-end 2006 accurately reflect the settlement agreement between DRA and California American Water. California American Water also agrees that the only additional interest charges that the parties have agreed California American Water should earn on the \$9,312,644 is interest which would accrue at the 90-day commercial paper rate.

California American Water objects to DRA's characterization of the Surcharge #1 cost recovery balancing account as a "normal balancing account" which should accrue interest at the 90-day commercial paper rate. DRA states that California American Water should earn interest on the \$9,312,644 that is transferred to the Surcharge #1 balancing account "in accordance with normal balancing account provision which is the 90-day commercial paper rate."¹ Contrary to DRA's suggestion, the interest rate on this account is 90-day commercial paper because the Commission has previously ruled that the 90-day commercial paper rate should be applied to this account and all parties to the settlement agreed. Accordingly, the Commission should reject the following change proposed by DRA to Conclusion of Law 1: "The Surcharge #1 cost recovery balancing account will accrue interest in accordance with normal balancing account provision which is the 90-day commercial paper rate."

III. CONCLUSION

As set forth above, the Commission should adopt the Proposed Decision authorizing the settlement agreement between DRA and California American Water.

¹ DRA Comments, App. A, Conclusion of Law 1.

Dated: December 31, 2007

By: s/ Sarah E. Leeper

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PROOF OF SERVICE

I, Michelle Chavez, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years, and not a party to the within cause; my business address is STEEFEL, LEVITT & WEISS, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On December 31, 2007, I served the within:

California-American Water Company's Reply Comments on the Proposed Interim Decision Adopting Settlement Agreement

on the interested parties in this action by placing a true copy thereof in a sealed envelope, addressed as follows:

Please see attached Service List

- ☒ **(BY PUC E-MAIL SERVICE)** By transmitting such document electronically from Steefel, Levitt & Weiss, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practice of Steefel, Levitt & Weiss for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 2.3(b) of the Public Utilities Commission of the State of California and all protocols described therein.
- ☒ **(BY MAIL)** By placing such document(s) in a sealed envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Steefel, Levitt & Weiss, San Francisco, California following ordinary business practice. I am readily familiar with the practice at Steefel, Levitt & Weiss for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on December 31, 2007 at San Francisco, California.


Michelle Chavez

PUC E-Mail Service List- A.04-09-019
[Updated October 02, 2007]

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